

D.P.U. 97-46

Application of Western Massachusetts Electric Company to the Department of Public Utilities, pursuant to a Department directive in D.P.U. 96-100 (December 30, 1996), for review of unbundled rates for implementation in 1997.

APPEARANCES: Stephen H. Klionsky, Esq.
Western Massachusetts Electric Company
260 Franklin Street, 21st Floor
Boston, MA 02110-3179
FOR: WESTERN MASSACHUSETTS ELECTRIC
COMPANY
Applicant

I. INTRODUCTION

On December 30, 1996, the Department of Public Utilities ("Department") issued its Restructuring Plan: Model Rules and Legislative Proposal, D.P.U. 96-100. In D.P.U. 96-100, at 317-318, the Department identified the unbundling of rates as a necessary first step in the transition to a restructured electric industry. See also Electric Industry Restructuring, D.P.U. 95-30, at 30, 39-40 (1995). The Department directed each electric company to submit for review unbundled rates by March 3, 1997, for implementation during 1997. D.P.U. 96-100, at 318. The Department stated that rate unbundling should be accomplished in a manner that is revenue-neutral for the company as a whole as well as for each rate class. Id. at 319. By letter dated February 14, 1997, the Department clarified its directives in D.P.U. 96-100 to require that unbundled rates also be revenue-neutral for each customer and to require that tariffs be filed with a July 1, 1997 effective date. On March 3, 1997, Western Massachusetts Electric Company ("Company") submitted its compliance filing to D.P.U. 96-100. The matter was docketed as D.P.U. 97-46.

On March 11, 1997, the Department issued an Order of Notice soliciting comments on whether the Company's filing is in compliance with the Department's directives. The scope of the proceeding was specifically limited to two issues: (1) whether the unbundled rates are revenue-neutral; and (2) whether costs are functionalized in a manner consistent with that approved in the Company's last rate proceeding. Western Massachusetts Electric Company, D.P.U. 97-46, Order of Notice (March 11, 1997). Pursuant to notice duly issued, the Department received comments on the Company's filing from the Attorney General of the Commonwealth ("Attorney General"), Enron Capital & Trade Resources, Inc. ("Enron"), and the Western Massachusetts Industrial Customers Group ("WMICG").¹

¹ In its Order of Notice, the Department noted that after receipt of written comments, it would determine whether additional comments, intervention, hearings, or technical sessions are necessary. Nevertheless, the Department received petitions for leave to intervene from Eastern Power Distribution, Inc., Electric Clearinghouse, Inc., Enron,

II. SUMMARY OF COMMENTS

The Attorney General made no substantive comments on the Company's filing but requested that the Department schedule a technical session in order to understand how the Company achieved the Department's directives concerning revenue-neutrality and functionalization (Attorney General Comments at 1).

Enron commented that the Company's filing appears to be revenue-neutral both at the company and customer level (Enron Comments at 2). Enron, however, stated that the methodology, which requires revenue-neutrality and simultaneously uses a proxy for the generation charge, produces unbundled rates that "do not appropriately reflect the costs of transmission, generation and distribution services" (*id.*). Enron thus claimed that the costs presented in the Company's filing were not functionalized appropriately (*id.* at 5). According to Enron, it is imperative that the distribution rates be accurately designed in order to present customers with clear information on the cost elements captured by the distribution rate and to ensure that a subset of distribution services that might eventually be provided in a competitive context will not be subsidized through the Company's distribution rate (*id.* at 4).

WMICG stated that WMECO has taken its existing rates and separated them into components that add up to the same total as the current charges, but that does not mean that the rates are revenue-neutral (WMICG Comments at 1). WMICG argued that in the current industry structure all costs are charged to customers (including, for example, ancillary services), but that in a competitive industry structure some of these costs may be charged to generators or aggregators, which might result in double recovery (*id.*). WMICG also argued that WMECo's unbundled rates do not reflect the structure of charges, type of charges or actual charges that

New York Mercantile Exchange, NorAm Energy Services, Inc., PanEnergy Trading and Market Services, L.L.C and Western Massachusetts Industrial Customer Group. The Department determines that it may resolve all outstanding issues in this proceeding based on the comments received. Therefore, the Department will not rule on the petitions for leave to intervene.

customers are likely to find under competition, and therefore, do not adequately educate customers (id.). Finally, WMICG stated that WMECo has failed to provide an embedded cost of service study consistent with its last rate order that functionally unbundles costs for each rate (id. at 1-2).

III. ANALYSIS AND FINDINGS

The Department has stated that the unbundling of rates into generation, transmission, and distribution components would serve to educate customers about the various services provided by their current electric companies and the pricing of these services. D.P.U. 96-100, at 318, citing D.P.U. 95-30, at 50. The Department's sole objective now is to educate customers through rate unbundling. Further, the Department requires that such unbundling be achieved in a manner that ensures revenue-neutrality as to the Company and each customer. Based on a thorough review of the calculations that support the Company's filing, the Department finds that the unbundled rates presented in the Company's March 3, 1997 filing are revenue-neutral.

The Department acknowledges that Enron and WMICG have raised valid concerns regarding the Company's functionalization of costs. However, the Department determines that it is unnecessary to change the current rate tariffs in order to implement illustrative unbundled rates for the limited purpose of customer education. The Department is directing companies to implement unbundled rates for bill presentation only. Thus, the issues raised in regard to the new tariffs are mooted by the Department's decision not to alter the Company's existing tariffs. Accordingly, the Department directs the Company to withdraw the tariffs filed on March 3, 1997.

With respect to the illustrative unbundled rates, the Department finds that for the limited purpose of customer education, unbundling the Company's current bills in the manner proposed by the Company in its March 3, 1997 filing is acceptable. Therefore, although the tariffs will

not change, the Company shall unbundle its rates using the charges it proposed in its March 3, 1997 filing.

The Department directs the Company to implement the illustrative unbundled rates approved herein as soon as practicable, but no later than August 30, 1997. The Company is further directed to include consumer education information in the form of a bill insert in the first two unbundled bills for each customer. Claudine Langlois, Director of the Consumer Division, will contact the Company to finalize the Department's review of the Company's proposed bill insert and bill format.

IV. ORDER

Accordingly, after due notice, comment, and consideration, it is

ORDERED: That Western Massachusetts Electric Company comply with all directives contained herein.

By Order of the Department,

John B. Howe, Chairman

Janet Gail Besser, Commissioner

Appeal as to matters of law from any final decision, order or ruling of the Commission may be taken to the Supreme Judicial Court by an aggrieved party in interest by the filing of a written petition praying that the Order of the Commission be modified or set aside in whole or in part.

Such petition for appeal shall be filed with the Secretary of the Commission within twenty days after the date of service of the decision, order or ruling of the Commission, or within such further time as the Commission may allow upon request filed prior to the expiration of twenty days after the date of service of said decision, order or ruling. Within ten days after such petition has been filed, the appealing party shall enter the appeal in the Supreme Judicial Court sitting in Suffolk County by filing a copy thereof with the Clerk of said Court. (Sec. 5, Chapter 25, G.L. Ter. Ed., as most recently amended by Chapter 485 of the Acts of 1971).